

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2010-146-WS

IN RE:

Petition of the Office of Regulatory Staff
for Commission to Order a Rule to Show
Cause as to Why Carolina Water
Service, Inc. should not be found in
violation of Commission Regulations and
for Issuance of Order to Provide
Adequate and Proper Service

ANSWER

Pursuant to 26 S.C. Code Ann. Regs. 103-826 and 103-830, and in compliance with the Notice issued by the Commission's Chief Clerk and Administrator dated April 19, 2010, and the Commission's Order in this matter dated May 20, 2010, and reserving all defenses which may hereafter be raised by motion, Carolina Water Service, ("CWS") answers the Petition for Rule to Show Cause ("Petition") of the Office of Regulatory Staff ("ORS") as follows:

FOR A FIRST DEFENSE

1. CWS denies each and every allegation of the Petition except as hereinafter admitted, modified or qualified.

FOR A SECOND DEFENSE

2. CWS admits the allegations of paragraphs 1, 2 and 3 of the Petition.
3. Answering the allegations of paragraph 4 of the Petition, CWS states as follows:

- a. CWS admits that it has not billed some customers in accordance with R. 103-732. Further responding to this allegation of the Petition, CWS states that it has experienced recent issues with delayed billing in areas where customers received distribution only water service (or are billed in the same billing cycle as customers receiving distribution only water service). Delays in receipt of purchased water invoices from bulk water suppliers, which are passed through to customers on a *pro rata* basis without markup under CWS's currently approved rate schedule, contributed to delayed billings to water distribution only customers. CWS has determined that another cause of these delayed billings was a breakdown in its internal processes pertaining to the proper billing of distribution only water service and the failure of certain personnel to properly manage this process. As a result, CWS has made certain personnel changes, consolidated its customer service operations up to the Officer level of the company, and adopted key performance indicators to bring more expertise and accountability to the billing process to ensure that it is aligned with other processes and that responsible personnel adhere to same. CWS further states that it has also recently experienced circumstances in which its billing system reflects that bills have been issued, but certain customers have asserted that no bills have been received. CWS has heretofore experienced issues with issued bills not being delivered as a result of problems with an outside contractor providing mail pre-sorting services and terminated its agreement with that contractor. CWS has investigated the current circumstance where some customers have not received bills and has

determined that its current pre-sorting contractor is not at fault. Accordingly, CWS has initiated a contact with the United States Postal Service to investigate the circumstances in which customers have not received bills which have been issued. CWS is working diligently, in cooperation with ORS, to address the cause of such delayed or undelivered billings and to rectify the situation. CWS submits that any delayed or undelivered billings are not the result of any intentional actions on its part as same are clearly detrimental to CWS as well as customers and that CWS is committed to complying with R. 103-732.

- b. CWS admits that it issued bills to customers in the Lake Murray and Harborside¹ service areas which omitted information required under R. 103-732.2, specifically including meter reading information, registration indices, number of days billed, and bill consumption graphs. Further responding, CWS states that these omissions were inadvertent and were caused by several factors. First, in both service areas, bills issued in March 2010 were cancelled in order to issue the catch-up bill provided for in Order No. 2010-11. Second, in both instances, personnel failed to update bill cycles and meter read tables properly in the billing system, which caused the billing system to issue bills without bill segments. Thus, certain of the information required by the regulation was not available to the billing systems to be populated on the bill. This error should have been reflected on the master bill report issued by the

¹ Harborside is a property regime consisting of multiple dwellings and receives a single bill for service provided to its inhabitants.

billing system, but was not. CWS has issued corrected bills on these accounts for each service period affected, included therewith a bill insert explaining the error and stating the reason multiple bills have been issued, and offering any affected customer a deferred payment plan to alleviate any hardship. CWS is working with the billing system developer to identify the reason why the system failed to produce the required information about this billing error on the master bill report. In addition, all late payment charges on Lake Murray and Harborside accounts for the months of January, February and March, 2010, have been waived by CWS. Letters have been sent to the customers in these service areas reflecting CWS's actions to correct this error, copies of which are attached as Exhibits 1 and 2, respectively. Finally, CWS has made personnel changes as a result of this error. CWS submits that the omission of required information on customer billings is not the result of any intentional actions on its part as same are clearly detrimental to CWS as well as customers and that CWS is committed to complying with R. 103-732.2.

- c. CWS is unaware of any instance in which it has failed to render a bill. However, CWS acknowledges that circumstances exist in which customers have advised ORS that no bill has been received. See, e.g., the February 12, 2010, letter to Lisa Sparrow, President and Chief Executive Officer of Utilities, Inc., which is attached to the Petition as part of its Exhibit A. CWS investigated this complaint and responded to the customer by letter dated March 1, 2010, addressed to the customer service address, a redacted copy of which is attached as Exhibit 3 to this Answer. As this document reflects,

CWS's investigation found that a bill was issued to the customer in a timely manner and that subsequent late-payment and termination notices were issued to the customer service address, none of which were returned to CWS by the postal service as being undelivered or undeliverable. Notwithstanding this, CWS waived both the reconnection and late payment charges on the account. Subsequent to the filing of the ORS petition in this matter, CWS has learned that this customer has advised ORS that the company's March 1, 2010, correspondence to her was also not received at her residence. CWS has investigated the issue with its mail pre-sorting contractor and has been unable to substantiate the existence of any mail delivery problem with respect to the services of this contractor. Accordingly, CWS has contacted the United States Postal Service to investigate the matter further. CWS submits that any undelivered billings, notices or other customer correspondence are not the result of any intentional actions on its part as same are clearly detrimental to CWS as well as customers and that CWS is committed to complying with R. 103-732 and 103-735.1. See also paragraph 5, below.

- d. CWS denies that it has violated R. 103-732.3. The March 30, 2010, bill included in Petition Exhibit A does reflect imposition of a \$0.94 late payment charge on an account that did not show an unpaid balance. However, this late payment charge was correctly included on the bill in question because it applied to a \$63.15 balance on the January 28, 2010, bill for this account that was due and payable on February 18, 2010, but for which payment was not received until March 8, 2010. Because of the error in the March 30, 2010, bill

itself (see paragraph 3(b) above), CWS waived the late payment charge on this account. Further responding, CWS submits that it has only imposed late charges in the percentage amount permitted under this regulation in the circumstances authorized, i.e., where an issued bill has gone unpaid within 25 days of the billing date. Notwithstanding this fact, CWS has waived all late charges for the Lake Murray and Harborside accounts due to the issues with the bill content described in paragraph 3.b above. CWS further commits that, should it be determined that customer bills were not received as a result of an error by CWS, it will likewise waive late payment charges for such customers.

4. Answering the allegations of paragraph 5 of the Petition, CWS admits that customers have been overcharged as a result of a pro ration of base facilities charges. These overcharges arose out of the Company's efforts to engage in the catch-up billing. This catch-up billing was necessitated by the delayed bills associated with the receipt of bulk water invoices in arrears and the manual process associated with proper pro rating of purchased water costs. See Order No. 2010-11. To correct this error, CWS has issued credit adjustments in accordance with R. 103-733.2(a) to all affected customers with a notation on their bill reflecting "Base Charge Adjustment for Pro-Rated Bill." CWS states that overcharges resulting from this pro ration of base facility charges were inadvertent and that CWS is committed to complying with R. 103-703. Further answering the allegations of this paragraph of the Petition, to the extent that it asserts that CWS is precluded by the terms of its rate schedule from pro-rating base facility charges and that it is required to issue two separate bills **in all circumstances**, CWS respectfully disagrees with ORS and would therefore deny same. CWS submits that circumstances may exist where it is appropriate to render a single bill for a period beyond a monthly billing period such as

where a customer moves into served premises and establishes an account with the Company at or near the end of a billing cycle. In this circumstance, a pro rated base facility charge would be appropriate. CWS notes that it is required to bill customers "as promptly as possible following the reading of [their] meters." See R. 103-732. Pursuant to R. 103-732.1, CWS is required to read a customer meter at the initiation of service (and termination) of service and to base its billings thereon. Under R. 103-732.2(a) it is contemplated that a bill shall be based upon meter readings "at the end and beginning of the period for which a bill is rendered." CWS submits that bill issuance is, thus, a function of meter reading under these regulations. CWS further submits that a requirement that it never pro-rate base facility charges and always issue separate bills for every monthly billing period would, in the circumstances where a customer establishes service at the end of a bill period, require an additional meter read and the issuance of an additional customer bill and thereby unnecessarily increase the cost of providing service and obligate customers to pay two separate bills where one bill is sufficient.

5. Responding to paragraph 6 of the Petition, CWS denies that it has violated R. 103-735. Further responding to the allegations of this paragraph, CWS submits that it has not disconnected water service for non-payment on any account in circumstances where bills and disconnection notices were not issued to the customer. See R. 103-735.1(A). CWS acknowledges that in March of 2010, it received multiple complaints from customers in the Lake Murray and Watergate service areas whose service was scheduled for disconnection regarding the lack of a bill for January 2010, service and/or the absence of a subsequent disconnection notice. CWS received no returned mail indicating that such bills and notices were not received by these customers, but thereafter began an investigation to ascertain the source of the problem. However, in view of the customer complaints, CWS notified all customers in these areas via

VoiceReach message on April 9, 2010, that disconnection activities were being halted and that all late payment charges and reconnection charges incurred on accounts associated with any disconnections for the months of January through March, 2010, were being waived. The waiver of such charges was reflected on all affected customer accounts on April 12, 2010. CWS has not been able, as of this time, to identify a cause for any failure of delivery of the issued bills and notices described herein. However, as of April 14, 2010, CWS has halted all disconnection activities in South Carolina pending the results of additional investigation into this issue. As noted above, CWS has contacted the United States Postal Service to seek its assistance in this investigation. CWS admits that it inadvertently disconnected service to a customer two days after payment on the customer account was effected via telephone. CWS has corrected its inadvertent error by reconnecting service without imposition of a reconnection charge and a bill credit for the late payment charges that were properly assessed. CWS submits that any undelivered bills and notices are not the result of any intentional actions on its part as same are clearly detrimental to CWS as well as customers and that CWS is committed to complying with R. 103-735.1.

6. Responding to the allegations of paragraph 7 of the Petition, CWS submits that its obligation is to **investigate** customer complaints promptly and thoroughly. See R. 103-738. Some customer complaints cannot be resolved by the utility. *Cf.* S.C. Code Ann. § 58-5-270 (Supp. 2009) and R. 103-730.F. Further responding to the allegations of this paragraph, CWS submits that it did act promptly to investigate the customer complaint set forth in the redacted letter to Company President and CEO Lisa Sparrow which is attached to the Petition as a part of Exhibit A and to communicate the results of its investigation to that customer. Moreover, CWS attempted to effect a resolution of the complaint by a waiver of reconnection charges and late

payment charges. Further responding to the allegations of this paragraph of the Petition, CWS incorporates herein by reference paragraph 3.c of its answer hereinabove. Because there are no other instances reflected in the Petition which describe a customer complaint that was not resolved promptly, CWS must deny the remaining allegations. Notwithstanding this denial, CWS states that it is committed to promptly and thoroughly investigating any customer complaint as required by R. 103-738, to work with ORS to establish acceptable time parameters for addressing with ORS any customer complaints which have not been previously investigated or resolved by CWS, and to make every reasonable effort to resolve any un-resolved customer complaints.

7. Answering paragraph 8 of the Petition, with the exception of the February 12, 2010, letter to Company President and CEO Lisa Sparrow, CWS denies that any of the documents attached to the Petition as Exhibit A constitute "sample complaints." CWS admits that the documents attached to the Petition as Exhibit A support the allegations of Paragraphs 4, 5, 6 and 7 except to the extent that the allegations of such paragraphs have been denied, or the meaning, import, accuracy or effect of such documents have been disputed, hereinabove.

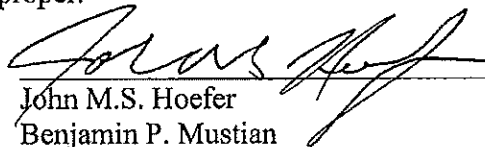
8. CWS admits the allegations of paragraph 9 of the Petition.

9. CWS denies the allegation of paragraph 10 of the Petition that CWS has failed to provide proper and adequate service within the ambit of S.C. Code Ann. § 58-5-710. Further responding to this paragraph of the Petition, CWS submits that none of the regulations cited in the Petition pertain to the provision of utility service and there is no allegation that any customer has not received utility service or that CWS's utility service has not been proper or adequate. *Cf.* RR.103-770 through 103-774. To the contrary, each of the regulations cited in the Petition pertains either to CWS's relations with its water customers or bills to its water customers – not

the propriety or adequacy of its service to water customers. Notwithstanding these denials, CWS states that it is committed to complying with all Commission regulations (including those listed specifically in the Petition), to render an accurate bill to its customers in a timely manner, and to refrain from improper disconnection of water service.

10. Paragraph 11 of the Petition alleges no fact or matter as to CWS and therefore no response is required. However, CWS has not opposed the request made therein by ORS, notes that this relief sought therein has already been granted, and that this paragraph of the Petition is now moot.

WHEREFORE, having fully set forth its Answer, CWS requests that the Commission issue an order consistent herewith, giving effect to CWS's defenses stated therein and recognizing CWS's actions to address admitted violations of the regulations cited in the Petition, provide CWS an opportunity to satisfy its obligations under law, rule or regulation, and grant such other and further relief to CWS as is just and proper.


John M.S. Hoefer
Benjamin P. Mustian
WILLOUGHBY & HOEFER, P.A.
Post Office Box 8416
Columbia, South Carolina 29202-8416
803-252-3300

Attorneys for Carolina Water Service, Inc.

Columbia, South Carolina
This 2nd of June, 2010



April 22, 2010

Dear Valued Customer,

Carolina Water Service, Inc. acknowledges there have been recent issues with the billing in our purchased service systems resulting in bill delays to your community. We are dedicated to providing a high level of customer service and are working diligently to fix any and all problems.

The water service provided to your residence by Carolina Water Service, Inc. is purchased through a bulk provider and the costs passed through to you, without mark-up, on a "pro-rata" basis. The rate for this pass-through amount fluctuates each month and is based upon the total amount of bulk water purchased from the provider divided proportionately among the customers in the service area and based on your actual consumption during that same service period.

Due to issues related to the timely receipt of the bulk provider invoice, the company issued a 2-month catch up billing in March 2010 in an attempt to bring your service period as close to the current bill date as possible. Inadvertently, an incorrect service period was entered in the billing system causing the system to produce bills with only a prior balance, line item adjustments and any payment activity since the prior bill was issued.

To correct this issue, we have generated separate monthly bills for the Lake Murray area through the service period ending February 2010 to bring it in line with other pro-rata share areas. We realize this situation may create some financial difficulties and can offer a deferred payment arrangement where-by these billings can be spread over an additional 12-months without incurring any additional fees.

We sincerely apologize for the inconvenience this has caused and are working to restore the high level of service you should expect from Carolina Water Service. Should you have any questions, to request payment arrangements or if we can provide additional information regarding your water utility service, please feel free to contact us at (800) 272-1919, or you can email us at CustomerService@uiwater.com.

Sincerely,

Carolina Water Service, Inc.

a Utilities, Inc. company Carolina Water Service, Inc.

P.O. Box 4509 • West Columbia, SC 29171 • P: 803-796-9545 • F: 803-791-8643
110 Queen Parkway • West Columbia, SC 29169 • www.uiwater.com



April 22, 2010

Ms. Ricki Thurmond
Harborside Regime Office, Southern Development
1403 Jaret Court
West Columbia, SC 29169

Dear Ms. Thurmond,

Carolina Water Service, Inc. acknowledges there have been recent issues with the billing in our purchased service systems resulting in bill delays on your account. We are dedicated to providing a high level of customer service and are working diligently to fix any and all problems.

The water service provided to Harborside by Carolina Water Service, Inc. is purchased through a bulk provider and the costs passed through to you, without mark-up, on a "pro-rata" basis. The rate for this pass-through amount fluctuates each month and is based upon the total amount of bulk water purchased from the provider divided proportionately among the customers in the service area and based on your actual consumption during that same service period.

On the December 1, 2009 bill, the master account for Harborside was billed for service through August 23, 2009 due to office personnel not properly working their billing exceptions and ensuring the account was billed through the correct service period. After discovering this error, a bill was generated on March 18, 2010 in order to bill the appropriate period of time and bring the account current through the February 2010 service period. Inadvertently, an incorrect service period was entered in the billing system causing the system to produce a bill with no meter or usage information.

To correct this issue, we have generated separate monthly bills for the Lake Murray area through the service period ending February 2010 to bring it in line with other pro-rata share areas. We realize this situation may create some financial difficulties and can offer a deferred payment arrangement where-by these billings can be spread over an additional 12-months without incurring any additional fees.

We sincerely apologize for the inconvenience this has caused and are working to restore the high level of service you should expect from Carolina Water Service. Should you have any questions, to request payment arrangements or if we can provide additional information regarding your water utility service, please feel free to contact us at (800) 272-1919, or you can email us at CustomerService@uiwater.com.

Sincerely,

Karen Sasic
Manager, Customer Service

a Utilities, Inc. company Carolina Water Service, Inc.

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FILE

March 1, 2010

[REDACTED]
Lexington, SC 29072

Re: Account [REDACTED]

Dear [REDACTED]

I am in receipt of your letter to Ms. Sparrow in regard to the billing issues and interruption of water service at your home. It is our goal to provide our customers with the best possible service always. Upon receipt of your letter, it is obvious that we have failed to meet that goal and your expectations.

In regard to the fluctuations in bill dates that you have experienced since the transition to our new Customer Care and Billing System (CC&B), we apologize this has occurred as some service areas have experienced a delay in receiving a monthly bill as the billing schedules have been established in the new system. Additionally, we have experienced delays related to the timely receipt of the bulk provider invoice that is needed to calculate bills in your service area before they can be issued. We are working to stabilize the billing dates over the next several months so these fluctuations do not occur in the future.

I have researched your account in regard to the concerns you have expressed about not receiving your January 2010 bill and the subsequent disconnection that occurred in February. I have attached copies of your December 31, 2009 bill, January 26, 2010 collection letter and January 28, 2010 bill.

The December 31, 2009 bill for \$71.97 became due as of January 21, 2010. On January 26, 2010, the attached collection letter was mailed advising we had not yet received payment of the past due balance and the service was subject to disconnection if payment was not received within 10 days. The January 28, 2010 invoice advised of the past due balance and new charges on the account.

All of the above items were mailed to the address on record of [REDACTED]. To date, we have not received any returned mail back from the post office to indicate the mail was undeliverable at your address. There was no indication to the company of a mail delivery issue at your residence; therefore, service was interrupted due to non-payment in accordance with the rules and regulations of the South Carolina Public Service Commission.

I apologize for the inconvenience this has caused you. Due to the concerns raised in your letter, I have waived the reconnection charge of \$35.00 and the late payment charge incurred on your account in January.

If you have any further questions, please contact me at 800-272-1919 ext. 1368.

Sincerely,

A handwritten signature in black ink, appearing to read 'Karen Sasic', is written over the word 'Sincerely,'.

Karen Sasic
Manager, Customer Service

a Utilities, Inc. company Carolina Water Service, Inc.



Bill Date 12/31/2009	Account Number [REDACTED]	Due Date 1/21/2010	Please Pay: \$71.97
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Name [REDACTED] Primary Telephone # (803) 898-8747

Service Address [REDACTED] LEXINGTON, SC, 29072

Activity Since Last Bill

Previous Balance	\$88.68	
Payments received as of 12/31/2009	\$-88.68	
Balance as of 12/31/2009		\$0.00
Residential Water Service		
Water Base Charge	\$11.09	
5,930 gallons at \$3.55 per 1,000 gallons	\$21.05	
SC DHEC Fee	\$0.83	
Total Residential Water Service		\$32.97
Residential Wastewater Service		
Wastewater Service	\$39.00	
Total Residential Wastewater Service		\$39.00
Total Amount Due		\$71.97

Carolina Water Service Inc of SC
Collections: (800) 367-4314
Phone: (800) 367-4314
Customer Service: (800) 367-4314
www.uwater.com

Summary of Service

Meter Reading	Meter #	99109166
Current	776730	10/25/2009
Previous	770900	09/24/2009
Usage	5,930 Gallons	
Number of Days:	31	
Average Daily Use:	191 Gallons	
Average Daily Cost	\$2.32	

Billing History



Consumption History



A fee of 1.5% per month will be added if unpaid by the due date.
Make check payable to: Carolina Water Service Inc of SC

Messages



PO Box 4509
West Columbia SC 29171-4509

#8WBCGPK

LEXINGTON SC 29072



Account Number: [REDACTED] Amount Paid: [REDACTED]
Due Date: 1/21/2010
Please Pay: \$71.97

Carolina Water Service Inc of SC
PO Box 11025
Lowiston ME 04243-9476
[Barcode]

☐ Address correction requested on back



01/26/2010

[REDACTED]
LEXINGTON, SC, 29072

Account Number [REDACTED]

Dear [REDACTED]

Our records indicate that there is an outstanding balance of \$71.97 on your water and/or wastewater account. If you have already mailed your payment, we apologize for any inconvenience and thank you for your payment.

If your payment has not been mailed, please send in the full outstanding balance today. If we do not hear from you within 10 days of the date on this letter, your service may be severed without additional notification. For your service to be reinstated, the outstanding balance and all applicable fees must be paid in full.

For your convenience, charge/debit card or electronic check payments may be made through <https://payments.utilitiesinc.billmatrix.com> or by calling CheckFree at 877-527-7852. There is a convenience fee for this service. You may also visit our website at www.uwater.com for more information. Returned payments will be subject to the maximum fees allowed by your state.

We thank you for your prompt attention to this matter.

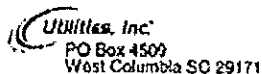
Collections Department
Utilities, Inc.

REG DISCON

A Utilities Inc Company: Carolina Water Service Inc of SC

PO Box 4509 West Columbia, SC 29171 P:(800) 367-4314 www.uwater.com

041400000000000071976



Account Number: [REDACTED]

Amount Paid

Please Pay: \$ 71.97

#BWBCGPK

[REDACTED]
LEXINGTON, SC, 29072

Carolina Water Service Inc of SC
PO Box 11025
Lewiston ME 04243-9476

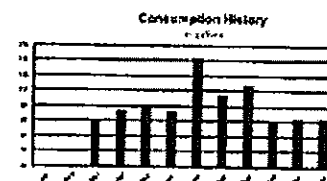
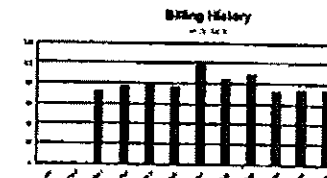


Bill Date	Account Number	Due Date	Please Pay:
01/28/2010	[REDACTED]	2/18/2010	\$146.05

Name [REDACTED]
Service Address [REDACTED] LEXINGTON, SC, 29072
Activity Since Last Bill
Previous Balance \$71.97
Payments received As of 01/28/2010 \$0.00
Balance as of 01/28/2010 \$71.97
Adjustments
Late Payment Charge on 01/24/2010 \$1.08
Residential Water Service
Water Base Charge \$11.09
6,220 gallons at \$3.55 per 1,000 gallons \$22.05
SC DHEC Fee \$0.83
Total Residential Water Service \$34.00
Residential Wastewater Service
Wastewater Service \$39.00
Total Residential Wastewater Service \$39.00
Total Amount Due \$146.05

Carolina Water Service Inc of SC
Collections: (800) 367-4314
Phone: (800) 367-4314
Customer Service: (800) 367-4314
www.cwwater.com

Summary of Service
Meter Reading Meter # 99109166
Current 782950 11/23/2009
Previous 776730 10/25/2009
Usage 6,220 Gallons
Number of Days: 29
Average Daily Use: 214 Gallons
Average Daily Cost: \$2.52



A fee of 1.5% per month will be added if unpaid by the due date.
Make check payable to: Carolina Water Service Inc of SC

Messages

Our records indicate the prior balance remains unpaid and your account may be subject to disconnection. Please note the due date on this bill refers to the current bill amount and does not extend the time allowed for payment of the prior balance.



PO Box 4509
West Columbia SC 29171-4509

#BWBCGPK

LEXINGTON SC 29072



Account Number: [REDACTED]
Due Date: 2/18/2010
Please Pay: \$146.05

Amount Paid

Carolina Water Service Inc of SC
PO Box 11025
Lowiston ME 04243-9476



☐ Address correction requested on back